



**JSC „NORVIK BANKA”  
Public report  
I quarter 2016**

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## Report of the Management Board

In the first quarter of 2016 Norvik Banka kept implementing its purposeful and balanced development strategy.

In the first quarter the amount of the Bank's assets reached EUR 988.4 million. The Bank's capital adequacy ratio increased during the reporting period reaching 16.77% (for comparison, as of the end of 2015 it was 16.65%).

The Bank's profit as of the end of the first quarter was EUR 42 thousand, the loan portfolio – EUR 246.5 million (for comparison, as of the end of the previous quarter – EUR 245.9 million). The Bank's liquidity ratio as of March 31 was 63.07%, the amount of the deposit portfolio – EUR 797.0 million.

During the reporting period Norvik Banka became a sponsor of a spring season of the Latvian television programme "TE!" created by the studio "Vides Filmu studija".

## Bank's strategy and targets

The Bank has set itself the target of becoming a leading, successful universal bank with an extensive service network in Latvia.

The Bank Group aims to become an international financial services provider, offering customers high-quality financial products and asset management services in the European Union and across Eastern Europe.

Our vision focuses on our customers' needs, creating long-term value for the bank's customers, employees, shareholders and community.

### We are aiming:

- To create a successful and stable universal bank in Latvia, meeting customer needs, and following the regulators framework for success;
- For a high-level of corporate governance to ensure well-controlled, profitable future growth and effective management of the current Non-Core assets;
- To expand the Bank's direct financial services internationally, specifically in the European Union and across Eastern Europe.

### Focus on niche markets:

- Latvian residents retail customers - middle-class- multi-retail-product-in-the-wallet;
- Latvian corporate clients - well collateralized loans & low-cost deposits;
- Foreign customers - fee-based income products, trade finance.

### Our strategic goals are based on the following core values:

- Innovation - The use of modern information technology through all our services and leading the financial services market in technology;
- Culture – A highly developed corporate culture based on multi - national corporate standards;
- Loyalty - Promotion of higher levels of customer loyalty through the offering of significant discounts on our services to market levels to ensure customer transition from the well-entrenched banks;
- Expansion – The further development of a network of 'branches' throughout Latvia market to expand the number customers served;
- Financial Management – Focus on resource planning and management of financial resources, including the optimization of liquid assets'.

### Other main building-blocks of the Bank's strategy:

- To combine the knowledge, and experience of local experts and international experience across a variety of markets;
- To provide end-to-end servicing of the full customer range, with customer service driving all product propositions, and hi-technology driving efficiencies;
- To adhere to a prudent investment and lending policy, to maintain stability and appropriate risk-income appetite.
- To maintain a stable income stream so that the Bank is in a position to manage any further downside economic scenarios, without a decrease in capital adequacy ratios, without a loss in customer service levels, and with options that other banks on the market may not have available to them given the European Union geography and diversified customer base.

## Risk analysis

Management of financial risks, the most significant of which are: liquidity risk, credit risk and market risk is being effected in accordance with the Financial risks management policy approved by the Board and the Council of the Bank, as well as with other normative documents that comprise the Bank's risk management system.

**Liquidity risk** includes the risk of the untimely settlement of customer and other legal creditor claims. Liquidity risk management and control is based on asset and liability term analysis, internal limit regulations regarding the net liquidity position, the effective usage of liquidity's I reserve funds and liability regulation for the remaining free resources. The Resource management division constantly manages liquidity's I reserve funds (cash, fund balances with correspondent bank accounts, short-term inter-banking transactions), in order to always have sufficient funds for fulfilment of current short-term commitments. The Board and the Assets and liabilities committee state general liquidity risk management criteria by regulating the volume, terms and directions of the Bank's activities. During the I quarter 2016 the Bank's liquidity ratio was 59-67%.

**Credit risk** is the risk of untimely or incomplete fulfilment of debtor liabilities. The credit risk management system includes approval of methods for evaluation of credit risks of partners, borrowers and issuers, setting of limits for types, volumes, and maturities of lending and investment into securities of the Bank's portfolio, regular assessment of assets and off-balance sheet liabilities. The Bank makes special provisions for doubtful debts, calculated as a difference between future discounted cash flows from returnable assets and the balance sheet value of those assets. The provisioning for unsecured consumer loans is made based on repayments statistics. As of 31 March 2016 the amount of special provisions was 40 028 thousand EUR or 15.44% of the total loan portfolio. Capital adequacy ratio on 31 March 2016, adjusted for special provisions, was 16.77%. The Bank's Board and the Credit Committee ensure credit risk management and the Risk Management Division constantly supervises over efficient performance of internal control of credit risk management.

**Market risk** is the risk of incurring losses by the Bank as a result of unfavourable changes in the market interest rates, exchange rates and prices of trade portfolio securities. By analyzing differences in the maturity and adjustment of interest rates of assets and liabilities, as well as the net interest margin and yield in relation to currencies and areas of business, the Board and the Assets and Liabilities Committee set the basic interest rates for deposits and loans for each currency group and period.

This foreign **currency risk** management is based on meeting the restrictions of the net open position of each foreign currency and the total amount of the net open positions of foreign currencies, in compliance with the requirements of the Financial and Capital Market Commission. In order to avoid losses arising from adverse changes in rates, the Capital market Department constantly supervises over the total amount of the open foreign exchange position, and the Risk Management Division controls the compliance with the restrictions of foreign currency positions. To manage the position, the Bank widely uses derivatives, such as forward transactions (conclusion of a deal at certain rates on a certain future date) and SWAP (sale of earlier purchased volume of currency on a certain date).

**Operational risk** is the risk of incurring losses as a result of inadequate or improper performance of internal processes, inappropriate actions of personnel or systems, or as a result of external circumstances. Operational risk management is based on well-established procedures describing all the operating processes, proper segregation of fulfilment and control functions, regular audit by the Internal Audit Service; all the events of operational risk occurrence (employees' mistakes, failures in the IT systems, etc.) are registered in the database and analyzed in order to improve operating processes and enhance internal control system.

Please see Risk management in details: [https://www.norvik.eu/finance/info\\_atkl\\_2016\\_lat.pdf](https://www.norvik.eu/finance/info_atkl_2016_lat.pdf)

## Bank's shareholders, Council and Management Board

### JSC „NORVIK BANKA” Shareholders as at 31 March 2016

	Number of shares*	% of total shares	Paid up share capital EUR`000
G. Guselnikov	64 597 987	29.56	38 759
G. Guselnikov **	125 985 339	57.66	75 591
Other (individually less than 10%)	27 920 174	12.78	16 752
<b>Total</b>	<b>218 503 500</b>	<b>100.00</b>	<b>131 102</b>

\* All shares are carrying identical voting rights. Each share has a par value of **EUR 0.60**.

\*\* Indirectly (in accordance with Article 33.1 (1) 8) of the Credit Institution Law)

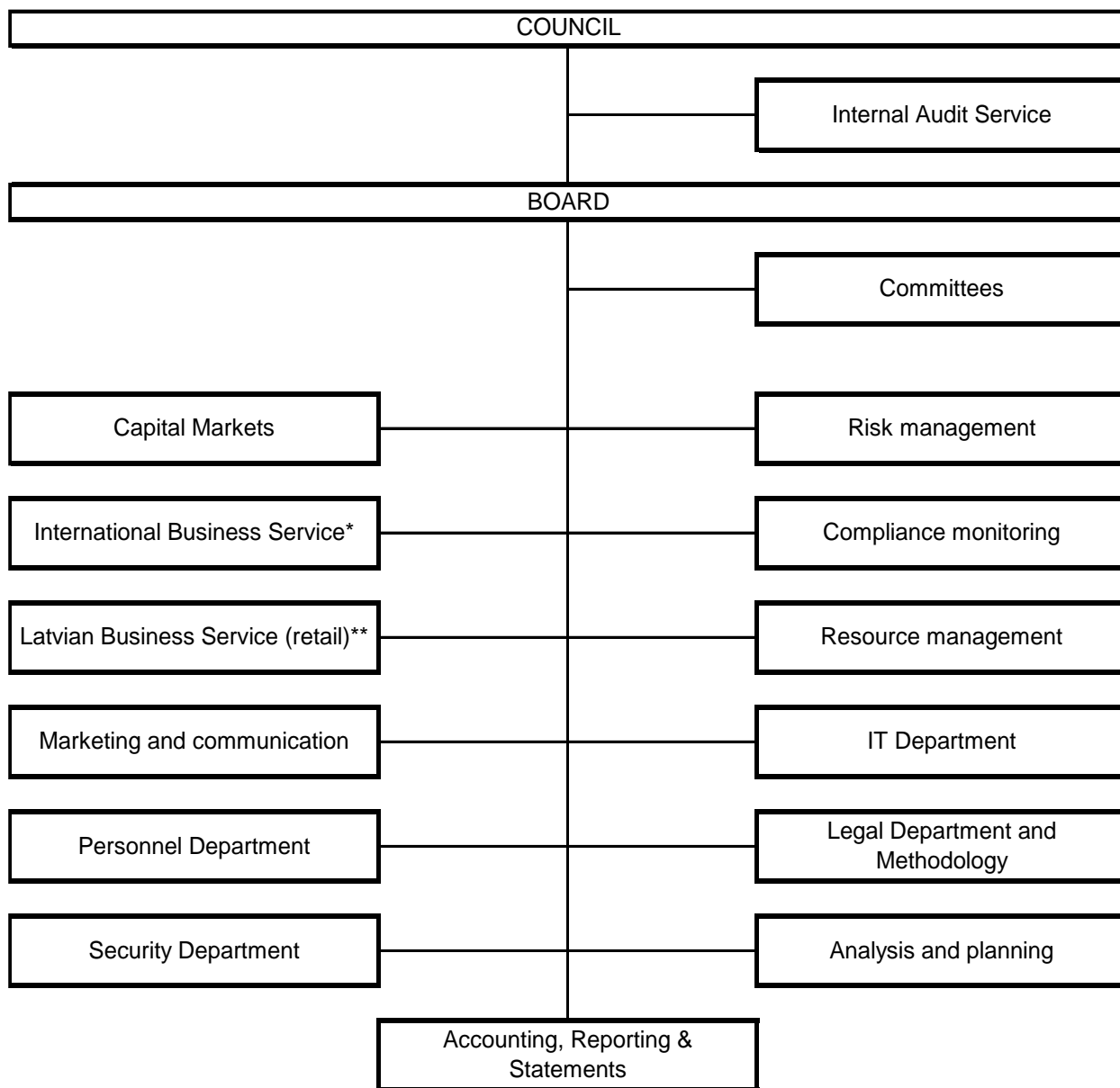
### JSC „NORVIK BANKA” Supervisory Council as at 31 March 2016

<b>Chairman of the Supervisory Council</b>	GRIGORY GUSELNIKOV
<b>Deputy Chairman of the Supervisory Council</b>	IGOR SMOLIN
<b>Members of the Supervisory Council</b>	PETER MICHAEL ODINTSOV
	ANDRIS RUSELIS

### JSC „NORVIK BANKA” Management Board as at 31 March 2016

<b>Chairman of the Management Board</b>	OLIVER RONALD BRAMWELL
<b>Members of the Management Board</b>	ALEXEY KUTYAVIN
	ANNA VERBICKA
	SERGEY GORASHCHENKO

## JSC Norvik Banka organizational structure



\* Information about representative:

<https://www.norvik.eu/en/contacts-moscow>

\*\* Branch list please see

<https://www.norvik.eu/en/map?type=branches>

## Consolidation Group Composition

31 March 2016

Ser No.	Name of company	Country of domicile, registration address	Company type*	Portion of a holding in share capital (%)	Portion of voting rights in the company (%)	Motivation for inclusion in the group**
1	"Norvik" liquidation Universal Credit Organisation CJSC	AM, Yerevan, 12 Saryan	OFI	100	100	SC
2	"Norvik IPS AS SIF Nākotnes Īpašumu Fonds"	LV, Latvija, Rīga, E. Birnieka-Upīša 21	SPC	100	100	SC
3	"Cecily Holdings" Limited	CY, 2, Sophouli Str., 8th floor, 1096 Nicosia	OFI	100	100	SSC
4	"Norvik Banka UK" Limited	GB, London, 46/48 Grosvenor Gardens, 1st floor	OFI	100	100	SC
5	AS "NORVIK ieguldījumu pārvaldes sabiedrība"	LV, Latvija, Rīga, E. Birnieka-Upīša 21	IMC	100	100	SSC
6	AS "NORVIK EURASIA AIF"	LV, Latvija, Rīga, Elizabetes 15 - 1	SPC	100	100	SC
7	ПАО "Норвик Банк"	RU, 610000, г. Киров (обл.), Преображенская, дом 4.	BNK	97.75	97.75	SC

\* BNK – bank, EMI – electronic money institution, IBC – investment brokerage company, IMC – investment management company, PF – pension fund, LC – leasing company, OFI – other financial institution, SPC – supporting company,

FMC – financial management company, MFMC – mixed financial management company.

\*\* SC – subsidiary company; SSC – subsidiary of the subsidiary company; PC – parent company, SP – subsidiary of the parent company, OC – other company."



## Balance sheet

31 March 2016

(EUR`000)

Item	Reporting period		Preceding reporting year
	Non-audited		Audited*
Cash and demand deposits with the central bank	47 903		30 626
Demand deposits with credit institutions	71 759		130 391
Financial assets held for trading	1 643		1 915
Financial assets at fair value through profit or loss	0		0
Available-for-sale financial assets**	554 803		476 089
Loans and receivables	252 877		308 341
Held-to-maturity investments	18 618		19 802
Interest risk protected portfolio share's fair value changes	0		0
Deferred expenses and accrued income	629		1 248
Fixed assets	27 856		19 859
Investment property	6 225		6 225
Intangible assets	903		351
Participation in the share capital of associated and related undertakings	0		0
Tax assets	0		0
Other assets	5 158		10 813
<b>Total assets</b>	<b>988 374</b>		<b>1 005 660</b>
Liabilities to central banks	0		0
Demand liabilities to credit institutions	2 335		1 827
Financial liabilities held for trading	249		319
Financial liabilities at fair value through profit or loss	0		0
Financial liabilities at amortized value	870 009		907 406
Financial liabilities resulting from transfer of financial assets	0		0
Interest risk protected portfolio share's fair value changes	0		0
Deferred income and accrued expenses	1 621		1 859
Provisions	695		680
Tax liabilities	761		773
Other liabilities	15 146		5 691
<b>Total liabilities</b>	<b>890 816</b>		<b>918 555</b>
<b>Capital and reserves</b>	<b>97 558</b>		<b>87 105</b>
<b>Total capital and reserves and liabilities</b>	<b>988 374</b>		<b>1 005 660</b>
<b>Commitments and contingencies</b>	<b>12 054</b>		<b>16 223</b>
Contingent liabilities	3 763		3 730
Liabilities to customers	8 291		12 493

\* Detailed financial information is available on the Bank's website: [www.norvik.eu](http://www.norvik.eu).

\*\*including participation in the share capital of the related, associated undertakings and closed investment funds (which are the Bank's auxiliaries) at the end of period amounted 231 404 EUR'000, in the previous year end – 227 651 EUR'000.

## Profit/ Loss Statement

31 March 2016

(EUR'000)

Item	Reporting period	Respective period of the preceding reporting year
	Non-audited	Non-audited
Interest income	4 046	5 724
Interest expense	(1 793)	(1 612)
Dividend income	21	12
Fee and commission income	5 497	4 823
Fee and commission expenses	(748)	(766)
Net realized profit/loss from financial assets and financial liabilities amortized value	0	0
Net realized profit/loss from financial assets available for sale	( 31)	0
Net profit/loss from financial assets and financial liabilities held for trading	(1 269)	2 500
Net profit/loss for financial assets and financial liabilities at fair value through profit or loss	0	0
Changes in fair value due to risk minimization accounting	0	0
Profit/loss from dealing and revaluation of foreign currencies	2 961	(96)
Profit/loss from derecognizing of property, equipment and machinery, investment property and intangible assets	0	0
Other income	498	402
Other expense	(331)	(509)
Administrative expenses	(6 854)	(6 753)
Depreciation and amortization	(308)	(244)
Provisions for debts impairment and liabilities	99	(361)
Impairment losses	(1 605)	0
Income tax	(141)	(219)
<b>Profit/loss of the reporting period</b>	<b>42</b>	<b>2 901</b>

Independent auditors haven't audited Bank's financial statements during the reporting period.

## Total capital and capital requirement calculation report

31 March 2016

(EUR'000)

Ser No	Name of the position	Result of the period
<b>1</b>	<b>Own funds (1.1.+1.2.)</b>	<b>116 489</b>
1.1	Tier 1 capital (1.1.1.+1.1.2.)	69 631
1.1.1.	Common equity Tier 1 capital	69 631
1.1.2.	Additional Tier 1 capital	0
1.2.	Tier 2 capital	46 858
<b>2</b>	<b>Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>694 828</b>
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	622 026
2.2.	Total risk exposure amount for settlement/delivery	0
2.3.	Total risk exposure amount for position, foreign Exchange and commodities risks	4 783
2.4.	Total risk exposure amount for operational risk	68 019
2.5.	Total risk exposure amount for credit valuation adjustment	0
2.6.	Total risk exposure amount related to large exposures in the trading book	0
2.7.	Other risk exposure amount	0
<b>3</b>	<b>Capital ratios and capital levels</b>	
3.1	Common equity Tier 1(CET1) capital ratio (1.1.1./2.*100)	10.02%
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	38 364
3.3.	Tier1 Capital ratio (1.1./2.*100)	10.02%
3.4.	Surplus(+)/Deficit(-) of Tier1 capital (-) (1.1.-2.*6%)	27 941
3.5.	Total capital ratio (1./2.*100)	16.77%
3.6.	Surplus(+)/Deficit(-) of total capital (1.-2.*8%)	60 903
<b>4</b>	<b>Capital buffers (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>2.5</b>
4.1.	Capital conservation buffer (%)	2.5
4.2.	Institution specific countercyclical capital buffer (%)	0.0
4.3.	Systemic risk buffer (%)	
4.4.	Systemical important institution buffer (%)	
4.5.	Other Systemically Important Institution buffer (%)	
<b>5</b>	<b>Capital ratios due to pillar ii adjustments</b>	
5.1.	The amount of impairment or assets value adjustments, applying special policy for own funds calculation	0
5.2.	CET1 capital ratio including p. 5.1 adjustments	10.02%
5.3.	Tier1 capital ratio including p. 5.1 adjustments	10.02%
5.4.	Total capital ratio including p. 5.1 adjustments	16.77%

## Liquidity ratio

31 March 2016

(EUR`000)

Ser No.	Item	Reporting period
<b>1.</b>	<b>Liquid assets (1.1.+1.2.+1.3.+1.4.)</b>	<b>423 885</b>
1.1.	Cash	9 741
1.2.	Balances with the Bank of Latvia	37 751
1.3.	Loans to and receivables from solvent banks	71 734
1.4.	Liquid securities	304 659
<b>2.</b>	<b>Current liabilities with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	<b>672 085</b>
2.1.	Due to the central bank and other banks	2 319
2.2.	Deposits	642 691
2.3.	Debt securities in issue	0
2.4.	Cash in transit	12 742
2.5.	Other current liabilities	6 218
2.6.	Off-balance sheet liabilities	8 115
<b>3.</b>	<b>Liquidity ratio (1.:2.); (%)</b>	<b>63.07%</b>
<b>4.</b>	<b>Minimum liquidity ratio</b>	<b>30.00%</b>

## Performance Indicators of Bank

31 March 2016

Item	Reporting period	Respective period of the preceding reporting year
Return on equity (ROE) (%)	0.16	11.71
Return on assets (ROA) (%)	0.02	1.06

**Information about the total financial instruments (excluding derivatives)  
the book value breakdown by the countries of which representatives of  
the securities issued by a net book value more than 10 percent of the  
bank's equity**

31 March 2016

Country	Trading portfolio (EUR`000)	Portfolio available for sale* (EUR`000)	Held-to-maturity finance instruments (EUR`000)	Total book value (EUR`000)	% from Bank`s equity
<b>USA</b>	<b>0</b>	<b>189 685</b>	<b>17 643</b>	<b>207 328</b>	<b>177.98%</b>
incl. central government	0	189 685	17 643	207 328	177.98%
<b>Russian Federation</b>	<b>0</b>	<b>65 076</b>	<b>0</b>	<b>65 076</b>	<b>55.86%</b>
<b>Kazakhstan</b>	<b>0</b>	<b>15 694</b>	<b>0</b>	<b>15 694</b>	<b>13.47%</b>

\* Excluding participation in the share capital of associated and related undertakings

For financial instruments recognized in the balance sheet at amortized value (HTM financial assets) impairment allowances have not been made.

Recognized impairment of available-for-sale financial assets is 1 600 thousand EUR.